

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 /082 W

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R 172249Z OCT 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 7863

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E.O. 11652: N/A

TAGS: ECON, ELAB, CA

SUBJ: LABOR REACTION TO GOC'S WAGE-PRICE RESTRAINT PROGRAM

REF: OTTAWA 3903 3931

1. INITIAL TRADE UNION REACTIONS TO SELECTIVE PRICE AND INCOME CONTROLS (SEE REFTELS) ANNOUNCED BY P.M. TRUDEAU OCTOBER 13 AND INTRODUCED IN PARLIAMENT OCTOBER 16 ARE RANGING FROM SKEPTICAL TO HOSTILE.

2. IMPACT OF ANTI-INFLATION LEGISLATION WILL BE FELT THROUGHOUT LABOR FORCE. AN ESTIMATED 4.3 MILLION WAGE AND SALARY EARNERS AND PROFESSIONALS (NEARLY HALF OF 9.3 MILLION EMPLOYED) WILL BE DIRECTLY AFFECTED BY THE 10-12 PERCENT FIRST YEAR CEILINGS ON WAGE INCREASES. THESE INCLUDE THE HIGHLY ORGANIZED FEDERAL PUBLIC SECTOR, FIRMS EMPLOYING MORE THAN 500 AS WELL AS THOSE PARTICIPATING IN INDUSTRY WIDE BARGAINING, CONSTRUCTION ENTERPRISES WITH MORE THAN 20 EMPLOYEES AND INDIVIDUALS AND FIRMS IN PROFESSIONAL UNDERTAKINGS. IF GOC APPEALS TO PROVINCES FOR COOPERATION SUCCEED, (AND SO FAR ALL BUT ALBERTA AND BRITISH COLUMBIA HAVE AGREED TO DO SO) OR IF LEGISLATION IS EXTENDED TO PROVINCES UNDER PEACE, ORDER AND GOOD LIMITED OFFICIAL USE

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GOVERNMENT SECTION OF BRITISH NORTH AMERICAN ACT, SIMILAR IN-

COME CEILINGS AND OTHER PROVISIONS WILL APPLY NATION-WIDE
WITH POTENTIAL COVERAGE OF THREE-FOURTHS OF CANADIAN LABOR FORCE.

3. PRELIMINARY CANADIAN LABOUR CONGRESS (CLC) REACTION WAS
RATHER GUARDED, FOLLOWING P.M. TRUDEAU'S OCT. 13 ANNOUNCEMENT
GIVING BROAD OUTLINES OF PROGRAM (AND AFTER EARLIER FULL BRIEF-
ING BY LABOR MINISTER MUNRO) CLC PRESIDENT MORRIS STATED CLC
PREPARED TO COOPERATE IN FIGHTING INFLATION BUT WARNED THAT
GOC PROPOSALS DO NOT SOLVE THE PROBLEM OF EXISTING INEQUITIES
IN NATIONAL INCOME DISTRIBUTION AND DO NOT COME TO GRIPS WITH IN-
FLATION-INDUCING FACTORS. DURING NEXT TWO DAYS, AS DETAILS OF
LEGISLATION BECOME KNOWN, OPPOSITION BY CLC AND AFFILIATED
UNIONS GREW PERCEPTIBLY. CONSENSUS AMONG LABOR LEADERS NOW
EVOLVING IS THAT WAGE EARNERS WILL BEAR BRUNT OF ANTI-INFLATION
PROGRAM, (GOC SPOKESMEN ADMIT PROGRAM CONTAINS INEQUITIES FOR
LABOR), WHILE PROFIT CONTROLS WILL BE VIRTUALLY INEFFECTIVE
AND COST OF LIVING RISE WILL NOT SIGNIFICANTLY ABATE DUE TO
EXEMPTIONS FOR FARMERS, RENTALS OF NEW HOUSING AND INTEREST
AND MORTGAGE RATES. SEVERAL MAJOR UNIONS INCLUDING STEEL-
WORKERS, INTERNATIONAL ASSOCIATION OF MACHINISTS, UNITED AUTO-
MOBILE WORKERS, CANADIAN UNION OF PUBLIC EMPLOYEES, ONTARIO
AND QUEBEC FEDERATIONS OF LABOR HAVE PROTESTED ANTI-INFLATION
PROGRAM AND SOME HAVE THREATENED TO DISREGARD WAGE CONTROL
PROVISIONS. SUBSEQUENTLY CLC HAS URGED AFFILIATES TO REFRAIN
FROM ADOPTING PUBLIC POSTURE AND CALLED SPECIAL EXECUTIVE
COUNCIL MEETING FOR OCTOBER 24 TO CONSIDER ISSUES INVOLVED.

4. COMMENT: THE WAGE CONTROL ASPECT OF GOC'S ANTI-INFLATION
PROGRAM POSES SOME AGONIZING POLITICAL AND COLLECTIVE BAR-
GAINING PROBLEMS FOR THE LABOR MOVEMENT. ALTHOUGH THE GUIDE-
LINES PERMIT HIGHER SETTLEMENTS FOR BARGAINING UNITS WHOSE LAST
CONTRACT WAS NEGOTIATED PRIOR TO JANUARY 1974 AND FOR CATCH-UP
TO MAINTAIN LONG-STANDING RELATIONSHIP BETWEEN CLOSELY-RELATED
GROUPS, THE NEW 10-12 PERCENT CEILING STANDS IN SHARP CONTRAST
TO THE 18.5 PERCENT AVERAGE BASE RATE INCREASE FOUND IN SECOND
QUARTER 1975 AGREEMENTS.

5. IT IS FOREGONE CONCLUSION THAT CLC
EXECUTIVE AT NEXT WEEK'S MEETING WILL COME OUT STRONGLY AGAINST
ANTI-INFLATION PROGRAM IN ITS PRESENT FORM ARGUING THAT IT
EXACERBATES INEQUITIES AND FAILS TO CURB PRICES EFFECTIVELY.
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NO DOUBT TRADE UNIONS WILL EXERT POLITICAL AND CONVEIVABLY
ECONOMIC PRESSURE TO HAVE LEGISLATION ANNULLED OR AT LEAST
GREATLY MODIFIED. BUT IN VIEW OF GOC'S DETERMINATION TO MAIN-
TAIN WAGE GUIDELINES AS ESSENTIAL ELEMENT IN REDUCING RATE OF
INFLATION, ORGANIZED LABOR CAN BE EXPECTED HOWEVER RELUCTANTLY
TO ABIDE BY THE LAW. AS P.M. TRUDEAU'S SPECIAL ASISTANT FOR
DOMESTIC AFFAIRS DR. MICHAEL KIRBY TOLD US, IF FEDERAL ANTI-
INFLATION REVIEW BOARD CAN ROLL BACK SOME IMPORTANT PRICE IN-

CREASES BEFORE TACKLING FIRST EXCESSIVE WAGE INCREASE, THE PROGRAM MAY BE SLIGHTLY LESS OFFENSIVE TO LABOR. GOVERNMENT'S RESOLVE AND LABOR'S RESPONSE WILL BE TESTED IN OUTCOME OF CURRENT AND UPCOMING NEGOTIATIONS ENCOMPASSING HALF MILLION WORKERS COVERED BY 230 ODD COLLECTIVE BARGAINING AGREEMENTS BEFORE YEAR'S END.

6. ONE KEY ELEMENT IN ANTI-INFLATION PROGRAM WILL BE CURBING EXCESSIVE EXPECTATIONS IN TERMS OF BOTH INFLATION AND EARNINGS PREVALENT AMONG THE POPULATION. AWARE OF THIS PSYCHOLOGICAL FACTOR GOC PLANS A MAJOR PUBLIC RELATIONS EFFORT INCLUDING PUBLIC APPEARANCES BY THE P.M. AND CABINET MEMBERS TO GAIN ACCEPTANCE OF THE NEW PROGRAM.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, ECONOMIC PROGRAMS, WAGE CONTROLS, PRICE CONTROLS, LABOR UNIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: SmithRJ
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OTTAWA03970
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750362-0200
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751043/aaaablrc.tel
Line Count: 129
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 OTTAWA 3903
Review Action: RELEASED, APPROVED
Review Authority: SmithRJ
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2003 by ShawDG>; APPROVED <02 OCT 2003 by SmithRJ>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LABOR REACTION TO GOC'S WAGE-PRICE RESTRAINT PROGRAM
TAGS: ECON, ELAB, CA, (TRUDEAU, PIERRE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006